

# **THE EMPLOYMENT SITUATION: MAY 2002**

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## **HEARING**

**before the**

### **JOINT ECONOMIC COMMITTEE CONGRESS OF THE UNITED STATES**

**ONE HUNDRED SEVENTH CONGRESS**

**SECOND SESSION**

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**June 7, 2002**  
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# **THE EMPLOYMENT SITUATION: MAY 2002**

**Friday, June 7, 2002**

**CONGRESS OF THE UNITED STATES,  
JOINT ECONOMIC COMMITTEE,  
WASHINGTON, D.C.**

The Committee met, pursuant to notice, at 9:35 a.m., in Room 1334, Longworth House Office Building, the Honorable Jim Saxton, Chairman of the Committee, presiding.

**Present:** Representatives Saxton and Hill; Senator Reed.

**Staff Present:** Chris Frenze, Bob Keleher, Darryl Evans, Brian Higginbotham, Daphne Clones-Federing, and Matt Salomon.

## **OPENING STATEMENT OF REPRESENTATIVE JIM SAXTON, CHAIRMAN**

**Representative Saxton.** Good morning. It is a pleasure to welcome Acting Commissioner Orr before the Joint Economic Committee (JEC) once again.

The employment report released today indicates that the job market is slow. Payroll employment increased by only 41,000 in May, while manufacturing employment declined. The diffusion index – an important measure of the proportion of industries with expanding employment – increased in May to 50.6 percent, while the unemployment rate slipped two-tenths of a point to 5.8 percent.

The payroll employment figures released today reflect the timing and unevenness of the economic recovery now underway. Although the economic recovery appears to have begun in the fourth quarter of last year, many employers have held off on new hiring until the sustainability of the recovery becomes clearer. As a result, the output of goods and services is rising, but at a much faster pace than employment. Consequently, labor productivity in the first quarter surged.

The weakness of current and expected business profits makes employers reluctant to incur higher costs, including labor costs related to the expansion of employment. In addition, certain sectors such as the telecommunications industry are still in financial distress and continue to lay off workers. So long as the profit outlook is unfavorable, firms will be hesitant to expand investment or employment. Thus, until the weakness in business profits and investment ends, the sustainability of economic recovery and employment growth will be in doubt.

The fragility of the expansion is reinforced by concerns about international tensions, terrorism and corporate accounting practices. As a result, the level of risk and uncertainty is significant, and this imposes additional costs on the economy and also is reflected in the weak stock market.

However, despite these problems, the remarkable resilience of the American people and the economy continues to be evident. As Chairman Greenspan testified before us several weeks ago, it appears likely that

business profits and investment will recover in due course, consolidating and extending the U.S. economic expansion. The Federal Reserve's actions to reduce interest rates, and Congressional actions to reduce the tax burden, have improved the prospect for a sustained economic recovery.

At this point, I would like to recognize the Vice Chairman, Senator Reed.

[The prepared statement of Representative Saxton appears in the Submissions for the Record on page 10.]

**OPENING STATEMENT OF  
SENATOR JACK REED, VICE CHAIRMAN**

**Senator Reed.** Thank you, very much, Mr. Chairman.

Thank you for convening the hearing and thanks to Acting Commissioner Orr and her colleagues for joining us this morning.

Today's employment report suggests that we are by no means out of the woods. Even as the economy has begun to recover, unemployment has been little changed, leading to the continued worry of a jobless recovery. Today, there are 8.4 million unemployed Americans, and 1.5 million additional workers who want a job but are not counted among the unemployed.

It is job growth which will be the critical factor in determining whether or not the recession is indeed over. So far this year, job growth has been weak and not indicative of a robust recovery.

The May unemployment figures reflect the annual Bureau of Labor Statistics (BLS) benchmark revisions in the payroll data which track job growth. The slight downward revisions confirm that businesses remain uncertain about the recovery and reluctant to hire new workers.

Particularly troubling is the fact that the ranks of the long-term unemployed continued to swell as 1.6 million people have been looking for work for six months or more, an increase of one million people over the past year.

Today's employment report shows that our labor markets remain soft, and recovery is still fragile.

Mr. Chairman, I look forward to the testimony of Acting Commissioner Orr on the state of our labor markets. Thank you very much.

[The prepared statement of Senator Reed appears in the Submissions for the Record on page 11.]

**Representative Saxton.** Thank you very much, Mr. Reed.

Before we hear the Commissioner's statement, I would like to take a moment to welcome Baron Hill to the Committee. We look forward to working with Congressman Hill.

Just as a sidelight, Mr. Hill and I serve on the Armed Services Committee together, and there particularly on the Armed Services Oversight Committee on Terrorism. And just yesterday, Mr. Hill and I

cooperated to send a letter to the President relative to the subject of terrorism where we got 51 Members of Congress to sign on with us.

So we look forward to doing many good things here, Mr. Hill; and we welcome you. Would you care to make some kind of opening statement?

**Representative Hill.** Let me just say that it is an honor for me to be on this Committee with you, Mr. Chairman, and Senator. I have enjoyed working with you, Mr. Chairman, on the antiterrorism Committee. I have enjoyed the list of people that you have asked to come to the Committee, and I am especially looking forward to serving with you on this Committee. Thank you very much.

**Senator Reed.** Mr. Chairman, if I could, too, add my words of welcome to Congressman Hill. We look forward to working with you. You bring a great deal of expertise and experience to this Committee.

**Representative Saxton.** Commissioner, welcome. The floor is yours.

**OPENING STATEMENT OF LOIS ORR, ACTING  
COMMISSIONER, BUREAU OF LABOR STATISTICS;  
ACCOMPANIED BY KENNETH V. DALTON, ASSOCIATE  
COMMISSIONER, OFFICE OF PRICES AND LIVING CONDITIONS;  
AND PHILIP L. RONES, ASSISTANT COMMISSIONER OF  
CURRENT EMPLOYMENT ANALYSIS**

**Ms. Orr.** Thank you. Good morning, Mr. Chairman and Members of the Committee.

I appreciate this opportunity, as I have during the past several months, to comment on the employment and unemployment data that we released this morning; and, of course, those are the data for May.

Both the unemployment rate at 5.8 percent and nonfarm payroll employment at 130.7 million were little changed in May. In 2001, the unemployment rate trended up, particularly following the terrorist attacks in September. Thus far this year, however, the trend has been far less clear.

Over the month, the jobless rate for blacks fell a full percentage rate to 10.2 percent, and the rate for Hispanics declined by nearly a percentage point to 7 percent.

Even though the unemployment level was about unchanged, the number of long-term unemployed – that is, those jobless 27 weeks and longer, as you have noted – continued to rise over the month. The increase over the month was 142,000. At 1.6 million, the number of long-term unemployed comprised about 20 percent of total unemployment in May, nearly twice its proportion of a year earlier.

Turning to the data from our establishment survey, nonfarm employment was little changed in May, up 41,000. Manufacturing employment declined by a monthly average of 112,000 during the year that ended this past January. Since then, however, losses have slowed; and for April and May the average decline was 21,000.

In May, job losses continued in computer equipment, electronic equipment, instruments, textiles, apparel, paper products, and printing and

publishing. The factory workweek was unchanged at 40.9 hours, and factory overtime edged up by a tenth of an hour to 4.3 hours.

Following a large job loss in April, construction employment was flat over the month. Since March, 2001, the number of construction jobs has declined by 3.6 percent, substantially less than the declines posted in recent labor market downturns. For example, the 1990/1991 downturn had job losses that were more than twice that of 3.6 percent.

Within the service-producing sector, employment in services rose by 68,000 in May; and that was the third consecutive monthly job gain, following a year with no net job growth in the service-producing sector. Help supply employment rose by 25,000 in May and has risen by 126,000 over the past three months. It had declined by approximately 800,000 during the prior year and a half.

Engineering and management services also showed employment strength in May, adding 23,000 jobs. Health services employment rose by 16,000 over the month, about the same as in April, but at a far slower pace or off the trend from the prior year, that is, 2001.

For the 12-month period ending in March, job growth had averaged 26,000 per month. Employment in hotels and lodging places posted a large decline in May, the second consecutive month of job losses.

Retail trade employment was little changed in May, despite a loss of 33,000 jobs in eating and drinking places. Offsetting some of that decline, several retail industries posted small job gains.

Employment in each of the other major private sector industries – wholesale trade, transportation and public utilities and finance, insurance and real estate – was unchanged in May.

Within government, employment rose by 31,000 in local government, mostly in education, and at the same time declined by 12,000 in the noneducation component of state government.

Average hourly earnings for production or nonsupervisory workers in the nonfarm private sector rose by three cents in May to \$14.70. Wage gains have been somewhat smaller so far this year than during 2001. Over the year, average hourly earnings were up 3.2 percent.

I would like now to comment about our annual benchmark revision and other kinds of adjustments we have made to our payroll establishment data. In your copy of my testimony, there are a couple of pages devoted to the benchmark and related revisions. I thought that I would just read a couple of them, and then if you have further questions in the question and answer period feel free to ask.

In accordance with our standard practice, the payroll survey figures this month incorporate regularly scheduled annual benchmark revisions. And the benchmarking process involves revising our sample-based estimates with information from a full universe count of employment, and that full universe count of employment is derived from the unemployment insurance tax records. In this year, of course, it is for March 2001.

The March 2001 benchmark revision was a downward adjustment of 123,000. Subsequent months also revised downward, to incorporate a

number of other adjustments, including more recent data we had from unemployment insurance tax records, introduction of a probability sample for several of the major industries within our establishment survey, new seasonal adjustment factors, some reweighting and resizing of the sample, so that by April of 2002, the last month of the revision period, the unemployment level that we are reporting today was approximately 500,000 or four-tenths of one percent lower than the previously published unadjusted level. That is the data that we issued last month.

In summary, payroll employment remained essentially flat for the third month in a row; and the unemployment rate at 5.8 percent in May was little changed over the month.

My colleagues and I now would be glad to answer your questions. We will answer your questions. Maybe next time we won't use the word "glad" there.

[The prepared statement of Acting Commissioner Orr appears in the Submissions for the Record on page 12.]

**Representative Saxton.** Thank you, Commissioner.

I just have two short questions.

In my opening statement, I mentioned the diffusion index. Would you explain the diffusion index and its importance as you see it in terms of measuring economic growth?

**Ms. Orr.** The diffusion index attempts to measure the dispersion among industries of the change in employment. The diffusion index did increase modestly from April to May. So this means that we had approximately the same number of industries that had increases in employment as had decreases. The manufacturing diffusion index, however, has yet to get up to 50.

Phil, do you want to comment on that at all? Is that a good answer?

**Mr. Rones.** Yes.

**Representative Saxton.** The diffusion index was, according to your numbers, at 50.6 percent.

**Ms. Orr.** That is correct.

**Representative Saxton.** That means that 50.6 percent of the businesses are – of the industries – are expanding; is that correct?

**Ms. Orr.** Expanding or unchanged. An index value of 75 percent, for example, would indicate that growing industries predominated by a much larger margin than an index of say, 55 percent.

**Representative Saxton.** And the current level is the highest in over a year; is that correct?

**Mr. Rones.** Let me just clarify. The diffusion index looks at 353 private-sector industries that either grew or declined, and it includes half of industries that had no change. So what this means is, once you are at 50 percent, that means about equal numbers grew or declined or that all industries remained unchanged.

**Representative Saxton.** And in a robust economic expansion, what would we expect the diffusion index to look like?



**Mr. Rones.** As an example, if we go back to 1996, 1997, and early 1998, it is consistently around 60 percent. So you still have industries declining in almost any period, because we are talking about hundreds of very detailed industries in these calculations. But if you are up at 60, 65 percent, you have a very strong economy.

**Representative Saxton.** This is the highest rate that the diffusion index has seen in over a year; is that correct?

**Mr. Rones.** Yes, that is correct. You have to go back to the end of 2000 to have a higher rate.

**Representative Saxton.** Thank you.

Question number two. It appears to me that payroll employment figures that you report are consistent with the idea that employers are hesitant to hire workers. Is it fair to say that employers appear to be waiting for the economy to solidify prior to hiring significant numbers of people?

**Ms. Orr.** Well, I would offer some evidence in terms of employers having some demand for workers and, you know, beginning again to meet those demands through the help supply industry. That is the temporary help industry.

After more than a year of declines in the employment of the help supply industry, actually going from a high employment level of approximately three million and over a period between a couple of years ago and the start of this year losing 800,000 workers from this industry, we now see employers for the third consecutive month adding workers. 126,000 persons have been added to employment in help supply.

I would suggest that that gives us an indication that certainly there is some demand there.

**Representative Saxton.** So there is a demand, but employers are hesitant to hire permanent workers. They would rather hire temporary workers because of the uncertainty of the future?

**Ms. Orr.** There are a lot of folks that would argue that way.

**Representative Saxton.** Thank you.

Senator Reed.

**Senator Reed.** Thank you very much, Mr. Chairman; and thank you, Acting Commissioner Orr.

In your release you characterize the drop in the unemployment rate from six percent to 5.8 as little changed. Can I assume that means statistically insignificant?

**Ms. Orr.** Right. It did not meet our statistical significance test.

Phil, would you like to comment on that?

**Mr. Rones.** At the current level of unemployment or the current rate of unemployment, we need a change of 2.3 percentage points. This doesn't meet it. It was about 1.7.

**Senator Reed.** Thank you.

**Ms. Orr.** In the rounding the change looks larger than it was.

**Senator Reed.** Thank you, Commissioner.

When we were discussing extended benefits legislation, which has been passed, there was some concern that it would encourage people to stay on unemployment longer. I have noticed that the number of people unemployed for five to 14 weeks has increased, which is not the extended period. But, in general, have you seen any effect of extended benefits on the long-term unemployment rate?

**Ms. Orr.** I am going to ask Phil to comment on that.

That is not the business we are in. We don't have good measures that link the Current Population Survey (CPS) and extended benefits.

**Mr. Rones.** We have no way of disentangling specific effects on our unemployment data. In our survey, we don't even ask people whether they are receiving unemployment insurance benefits on a monthly basis. So we can't link those things up.

It is definitely the case, though, that the long-term unemployed tend to continue to grow, often for an extended period of time, even after the economy levels off or starts improving.

**Senator Reed.** Thank you.

We have all suggested a concern about a recovery that is without jobs, the jobless recovery, classically. Can you give us any insight as to why it appears that employment hours has not grown significantly even though output has increased rather dramatically? Is the recovery favoring industries that are less labor intensive, or does the relevant strength of defense production help to account for the current strength in productivity?

Again, any insights why it seems that unemployment is lagging, hours are lagging, yet GDP is growing robustly?

**Ms. Orr.** Well, first, I would say that, to date this year, 2002, we have seen some increase in the hours. You know, we saw little between April and May. But if you look at from the beginning of this year to present, there has been an increase in overtime hours and manufacturing as well as overall hours.

**Senator Reed.** You mentioned that there was a rather modest increase.

**Ms. Orr.** During the five months to date this year. I think that many of us are still trying to understand the substantial increase in productivity.

You know, part of the reason for the substantial reported increase in productivity for the first quarter of this year reflected a decline in the total hours and, you know, substantial increase in output.

If I might call upon one of my colleagues, who is our specialist in productivity, and ask if you would like to comment at all, Marilyn.

**Ms. Manser.** I don't have anything much to add to that.

Of course, these quarterly data are volatile. They certainly show strong productivity growth. Some of that clearly has come from hours declines, but the bulk of it does seem to be coming, certainly in the last quarter, with very strong output growth.

**Senator Reed.** Thank you. One reason that this is of concern is that even if output is substantial, if hours and wages don't increase, then revenues don't increase either. We are in a dilemma right now where we have seen significant shortfalls in revenues, which we are under great pressures to deal with here. So it is an issue of concern on many different levels.

Just a final question, if I may—

**Ms. Orr.** You – when you say revenues, you mean tax revenues?

**Senator Reed.** Tax revenues. Yes. I know that the BLS publishes alternate measures which try and incorporate the discouraged workers and others that have left the labor force, the U4, U5 and U6 numbers. Can you give us any sort of feeling for the composition of this group of people in your U4, U5 and U6 measures, demographically or any other way?

**Ms. Orr.** Yes, we have some information. I would like to ask Mr. Rones if he would respond.

**Mr. Rones.** We need to look at each of the categories in those measures separately.

Just for everyone's information, what we are talking about is starting with a base of unemployment and then adding other groups to that to come up with other measures; and particularly we talk about people who are part time for economic reasons, that is, they prefer a full-time job. People who are marginally attached to the labor force, they want a job, and have looked in the past year, but for various reasons are not looking now.

Then that very small group that you referred to, which is discouraged workers, which tends to run only three or 400,000 people.

The unemployed are, clearly, disproportionately young. We know that. We know that the unemployment rates for adults are often 3 percent or so, whereas the unemployment rates for teenagers can be in the teens, just as an example.

In the group of 16- to 24-year-olds, 16 percent of the labor force are in that group, but 29 percent of the part-time for economic reasons, 32 percent of the unemployed, almost 40 percent of the marginally attached. So all of these groups tend to be disproportionately young. And there is – nothing particularly interesting when you look at the gender differences.

But also you get what you would expect in the race categories. That is, that blacks in particular are disproportionately unemployed. They are also disproportionately in the part-time for economic, although the spread isn't quite as much, and also in those not in labor force categories, the marginally attached and discouraged.

**Senator Reed.** Thank you, Commissioner.

**Representative Saxton.** Thank you.

Mr. Hill, did you have questions?

**Representative Hill.** Thank you, Mr. Chairman.

As a new Member I had not intended to ask any questions, but I noticed that staff has prepared some questions. One of them caught my

attention, and it was about adult women who were the hardest hit in unemployment. It increased from 5 percent to 5.4 percent. Can you tell us what that is all about? Is this a trend? Why is this happening?

**Ms. Orr.** The unemployment rate I think for adult men and women is identical at 5.2 percent this month.

**Representative Hill.** Well, the question that has been prepared here says adult women were the hardest hit last month. Their unemployment rate rose from 5 to 5.4 percent. At the same time, the number of women who maintained families who were employed declined. Is this an error?

**Ms. Orr.** Well, let me just relate to you the unemployment rate for adult women – that is, women ages 20 and over – started in January at 4.8. It was 5 percent, last month 5.4 and this month 5.2. That four-tenths of a percent, the change from 5 to 5.4 would be statistically significant. But it has been in sort of a similar range now for several months.

**Representative Hill.** Okay. Thank you.

**Representative Saxton.** Commissioner, I have no other questions at this point. Unless Mr. Reed does, we want to thank you for being here and we look forward to seeing you in the months ahead.

[Whereupon, at 10:00 a.m., the Committee was adjourned.]

## **SUBMISSIONS FOR THE RECORD**

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### **PREPARED STATEMENT OF REPRESENTATIVE JIM SAXTON, CHAIRMAN**

It is a pleasure to welcome Acting Commissioner Orr before the Committee once again.

The employment report released today indicates that the job market is slow. Payroll employment increased by only 41,000 in May, while manufacturing employment declined. The diffusion index – an important measure of the proportion of industries with expanding employment – increased in May to 50.6. Meanwhile, the unemployment rate slipped two tenths of a percentage point to a level of 5.8 percent.

The payroll employment figures released today reflect the timing and unevenness of the economic recovery now underway. Although the economic recovery appears to have begun in the fourth quarter of last year, many employers have held off new hiring until the sustainability of the recovery becomes clearer. As a result, the output of goods and services is rising, but at a much faster pace than is employment. Consequently, labor productivity in the first quarter surged.

The weakness of current and expected business profits makes employers reluctant to incur higher costs, including labor costs related to expansion of employment. In addition, certain sectors such as the telecommunications industry are still in financial distress and continue to lay off workers. So long as the profit outlook is unfavorable, firms will be hesitant to expand investment or employment. Thus, until the weakness in business profits and investment ends, the sustainability of economic recovery and employment growth will be in doubt.

The fragility of the expansion is reinforced by concerns about international tensions, terrorism and corporate accounting practices. As a result, the level of risk and uncertainty is significant, and this imposes additional costs on the economy and also is reflected in the weak stock market.

However, despite these problems, the remarkable resilience of the American people and economy continues to be evident. As Chairman Greenspan testified before us several weeks ago, it appears likely that business profits and investment will recover in due course, consolidating and extending the U.S. economic expansion. The Federal Reserve's actions to reduce interest rates, and Congressional actions to reduce the tax burden, have improved the prospect of sustained economic expansion.

**PREPARED STATEMENT OF  
SENATOR JACK REED, VICE CHAIRMAN**

Thank you, Chairman Saxton, for convening this hearing. I also want to thank Acting Commissioner Orr for coming to testify before us today.

Today's employment report suggests that we are by no means out of the woods. Even as the economy has begun to recover, unemployment has been little changed, leading to the continued worry of a jobless recovery. Today there are 8.4 million unemployed Americans, and 1.5 million additional workers who want a job, but are not counted among the unemployed.

It is job growth which will be the critical factor in determining whether or not the recession is indeed over. So far this year, job growth has been weak and not indicative of a robust recovery.

The May employment figures reflect the annual BLS "benchmark" revisions in the payroll data, which track job growth. The slight downward revisions confirm that businesses remain uncertain about the recovery and reluctant to hire new workers.

Particularly troubling is the fact that the ranks of the long-term unemployed continue to swell as 1.6 million people have been looking for work for six months or more – an increase of one million people over the past year.

Today's employment report shows that our labor markets remain soft and the recovery is still fragile.

Mr. Chairman, I look forward to the testimony of Acting Commissioner Orr on the state of our labor markets.

**PREPARED STATEMENT OF LOIS ORR, ACTING  
COMMISSIONER, BUREAU OF LABOR STATISTICS**

Mr. Chairman and Members of the Committee:

I appreciate this opportunity to comment on the May employment and unemployment data that we released this morning.

Both the unemployment rate, at 5.8 percent, and nonfarm payroll employment, at 130.7 million, were little changed in May. In 2001, the unemployment rate trended up, particularly following the terrorist attacks in September. Thus far this year, however, the trend has been less clear.

Over the month, the jobless rate for blacks fell a full percentage point to 10.2 percent, and the rate for Hispanics declined by nearly a percentage point to 7.0 percent. Even though the unemployment level was about unchanged, the number of long-term unemployed (those jobless 27 weeks and longer) continued to rise over the month, by 142,000. The number of long-term unemployed, at 1.6 million, comprised about 20 percent of total unemployment in May, nearly twice its proportion a year earlier.

Turning to the data from our establishment survey, nonfarm employment was little changed in May (+ 41,000). Manufacturing employment declined by a monthly average of 112,000 during the year ending in January 2002. Since then, losses have slowed, and, for April and May, the average decline was down to 21,000. In May, job losses continued in computer equipment, electronic equipment, instruments, textiles, apparel, paper products, and printing and publishing. The factory workweek was unchanged at 40.9 hours, and factory overtime edged up by 0.1 hour to 4.3 hours.

Following a large job loss in April, construction employment was flat over the month. Since March 2001, the number of construction jobs has declined by 3.6 percent, substantially less than the declines posted in recent labor market downturns.

Within the service-producing sector, employment in services rose by 68,000 in May, the third consecutive monthly job gain, following a year with no net job growth. Help supply employment rose by 25,000 in May, and has risen by 126,000 over the past 3 months. It had declined by 806,000 during the prior year and a half. Engineering and management services also showed strength in May, adding 23,000 jobs. Health services employment rose by 16,000 over the month, about the same as in April, but at a far slower pace than in the prior year. For the 12-month period ending in March, job growth had averaged 26,000 per month. Employment in hotels and lodging places posted a large decline in May, the second consecutive month of job losses.

Retail trade employment was little changed in May, despite a loss of 33,000 jobs in eating and drinking places. Offsetting some of this decline, several retail industries posted small job gains. Employment in each of the other major private-sector industries – wholesale trade, transportation and public utilities, and finance, insurance, and real estate – was unchanged in May.

Within government, employment rose by 31,000 in local government, mostly in education, and declined by 12,000 in the noneducation component of state government.

Average hourly earnings for production or nonsupervisory workers in the nonfarm private sector rose by 3 cents in May to \$14.70. Wage gains have been somewhat smaller so far this year than during 2001. Over the year, average hourly earnings were up 3.2 percent.

In accordance with our standard practice, the payroll survey figures this month incorporate regularly scheduled annual benchmark revisions. The benchmarking process involves revising our sample-based employment estimates with information from a full universe count of employment derived from unemployment insurance tax records for March 2001.

The March 2001 benchmark revision was a downward adjustment of 123,000 or one-tenth of one percent. Subsequent months also revised downward, to incorporate a number of other adjustments. By April 2002, the last month of the revision period, the employment level was 501,000 or four-tenths of one percent lower than the previously published unadjusted level. There is no benchmark source for hours and earnings data, but these series also may be affected by the benchmark process because of changes in the industry employment weights and the introduction of new seasonal factors.

The downward adjustment of 123,000, or about one-tenth of one percent of the total nonfarm employment level, is slightly less than the average revision for the prior 10-year period. Payroll employment estimates for the post-benchmark period, April 2001 forward, have been revised to incorporate the new benchmark levels as well as revised seasonal adjustment factors, bias factors, birth/death models, and annual sample updates.

In addition to the routine benchmark revision, all estimates for transportation and public utilities and the finance, insurance, and real estate industry from April 2000 forward have been revised to incorporate a new sample design. The employment estimates for retail trade from April 2001 forward also incorporate the new sample design. These industries are the third group of industries to convert to a probability-based sample under a 4-year phase-in plan for the Current Employment Statistics survey sample-redesign project. The phase-in will conclude in June 2003 with the introduction of the services industries and the conversion to the North American Industrial Classification System (NAICS).

In summary, payroll employment remained essentially flat for the third month in a row, and the unemployment rate, at 5.8 percent in May, was little changed over the month.

My colleagues and I now would be glad to answer your questions.